



# PORTFOLIO MANAGER'S REPORT



Wednesday July 14, 2010 8:57 AM

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## CURRENT OFFERING YIELDS - Wednesday: 07/14/2010 8:57 AM

## TODAY'S ECONOMIC DATA

	Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)			
3 mo	0.145%	+ 0.30 bp's	0.158%	0.435%			14-Jul	MBA Mortgage Applications	Prior: 6.7% Actual: -2.9%
6 mo	0.191%	+ 0.20 bp's	0.210%	0.526%			14-Jul	Import Price Index (MoM)	Prior: -0.6% Actual: -1.3%
12 mo	0.272%	-0.5 32'ds	0.419%	0.723%			14-Jul	Import Price Index (YoY)	Prior: 8.6% Actual: 4.5%
2 yr	0.625%	+ 2.5 32'ds	0.839%	1.223%	1.525%	1.575%			
3 yr	1.026%		1.259%	1.788%	2.026%	2.126%			
5 yr	1.829%	+ 4.5 32'ds	2.097%	2.920%	2.679%	2.979%		DJIA	10,342.28 -20.74
10 yr	3.068%	+ 4.5 32'ds	3.382%	4.874%	4.018%	4.068%		NASDAQ	2,244.61 2.58
30 yr	4.064%	+ 14.5 32'ds	4.697%	6.950%				S & P 500	1,090.72 -4.62

Source: Bloomberg Fair Value Curve or Last Price (Treasury only); ALL yields and spreads are "representative", not actual. Spreads change as the market changes, actual offerings may be higher or lower than

## TODAY'S NEWS

### Treasuries Gain as U.S. Retail Sales Decline More Than Forecast in June

July 14 (Bloomberg) -- Treasuries rose as a report showed retail sales fell more than forecast in June and investors speculated minutes of the Federal Reserve's last meeting will show concern the recovery may sag. Ten-year notes ended a five-day losing streak, the longest decline since August, as Commerce Department data showed sales at U.S. retailers decreased 0.5 percent last month after a revised 1.1 percent drop in May. The Treasury is scheduled to auction \$13 billion of 30-year bonds today, the third of three note and bond sales totaling \$69 billion.

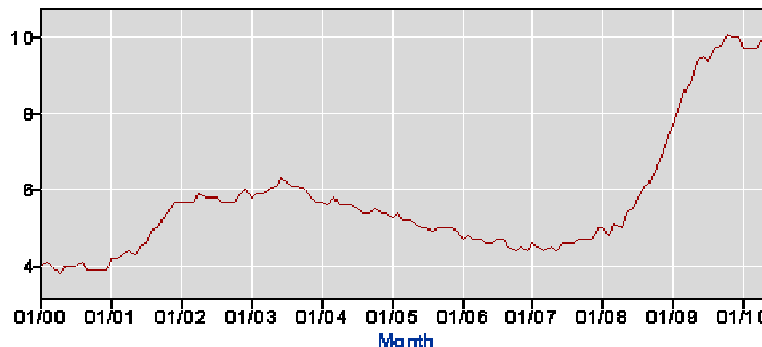
### Today's Topic- Slow Growth and Low Rates

Most economists see slower than anticipated growth in the year to come but stop short of predicting a double dip recession. Growth in the U.S. is projected to be around 2.8% through the second quarter of 2011. While there have been some lack luster numbers regarding housing, manufacturing and employment, they predict the recovery will stay on track.

With the lowest U.S. Inflation rate in four decades, the Federal Reserve will be less likely to raise interest rates until we see some more positive signs in the way of growth for the economy. Unfortunately, after reaching a 26 year high of 10.1%, the unemployment rate will take years to return to what we call a "normal level." After all, our economy lost approximately 8 million jobs, over the past couple of years and without a rebound in the housing market, those jobs will be difficult to fill.

According to David Fisher, Pimco's Head of Global Products, "the near term risk is actually toward disinflation rather than inflation. Because interest rates are likely to remain low, we think bonds can provide relatively attractive returns despite the very low starting level." As far as rates moving higher, it appears to be all about the jobs.

### Unemployment Rate



### Labor Force Statistics from the Current Population Survey